



# Public Consultation on the proposal for revised Opinion on the supervisory assessment of internal models including a dynamic volatility adjustment

Fields marked with \* are mandatory.

## Introduction

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The European Insurance and Occupational Pensions Authority (EIOPA) has published a consultation paper on the revised Opinion on the supervisory assessment of internal models including a dynamic volatility adjustment.

Stakeholders are invited to provide their feedback on the consultation paper by 26 June 2025. The feedback received will be taken into account in the finalisation of the opinion.

Comments are most helpful if they:

- respond to the question stated, where applicable;
- contain a clear rationale; and
- describe any alternatives EIOPA should consider.

To submit your comments, please click on the blue “Submit” button in the last part of the survey. Please note that comments submitted after 26 June 2025 or submitted via other means will not be processed. In case you have any questions please contact [Solvencyllreview@eiopa.europa.eu](mailto:Solvencyllreview@eiopa.europa.eu).

### Publication of responses

Your responses will be published on the EIOPA website unless: you request to treat them confidential, or they are unlawful, or they would infringe the rights of any third party. Please, indicate clearly and prominently in your submission any part you do not wish to be publicly disclosed. EIOPA may also publish a summary of the survey input received on its website.

Please note that EIOPA is subject to Regulation (EC) No 1049/2001 regarding public access to documents and [EIOPA's rules on public access to documents](#).

### Declaration by the contributor

By sending your contribution to EIOPA you consent to publication of all non-confidential information in your contribution, in whole/in part – as indicated in your responses, including to the publication of the name of your organisation, and you thereby declare that nothing within your response is unlawful or would infringe the rights of any third party in a manner that would prevent the publication.

### Data protection

Please note that personal contact details (such as name of individuals, email addresses and phone numbers) will not be published. EIOPA, as a European Authority, will process any personal data in line with Regulation (EU) 2018/1725. More information on how personal data are treated can be found in the privacy statement at the end of the public consultation document.

## General Information on the Respondent

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\* Name of the stakeholder

Actuarial Association of Europe

\* Type of stakeholder

- ☐ Insurance or reinsurance undertaking
- ☐ Industry Association/Federation
- ☐ Consumer Protection Association
- ☐ Academic
- ☒ Other

\* If other, please specify:

Professional Association

\* Jurisdiction of establishment

Belgium

\* Name of Point of Contact

Stephanos Hadjistryllis

\* Email address of point of contact

info@actuary.eu

\* Please provide your explicit consent for the publication of your response

- ☒ Yes, publish my whole response
- ☐ Yes, publish a part of my response
- ☐ No, do not publish my response

## Questions

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## 1. General comments

\* Q1. Do you have general comments on the consultation document?

- ☒ Yes  
☐ No

Comments field

The AAE appreciates and welcomes EIOPA's proposal on the revised Opinion on the supervisory assessment of internal models including a dynamic volatility adjustment.

The proposed change in the Solvency II regulation encourages the reinforcement of the Dynamic Volatility Adjustment (DVA), enabling more responsive adjustments aligned with insurers' actual risk exposures and prevailing economic conditions. The DVA relies on continuous assessment and the integration of new data and market developments to ensure its ongoing relevance and accuracy. Implementing such a dynamic mechanism necessitates robust systems capable of real-time data processing, advanced modelling techniques, and effective asset-liability management strategies.

We have not identified any major conceptual changes to the DVA framework beyond revised wording and a clearer articulation of its intended use. However, the revised methodology for the Volatility Adjustment (VA) could have implications for the application of DVA. One point of clarification is whether national supervisors will require companies to seek renewed approval for the use of DVA under the revised framework. Additionally, we have two further comments related to the modelling aspects, which we believe merit additional consideration.

## 2. Consultation paper overview and next steps

\* Q2. Do you have comments on Section 'Consultation paper overview and next steps'?

- ☐ Yes  
☒ No

## 3. Revised Opinion

### 1. Legal Basis

\* Q3. Do you have comments on Section 1. Legal Basis?

- ☐ Yes  
☒ No

### 2. Context and Objective

\* Q4. Do you have comments on Section 2. Context and Objective?

- ☐ Yes  
☒ No

### 3. Modelling

\* Q5. Do you have comments on Section 3. Modelling?

- ☒ Yes  
☐ No

Comments field

Key messages:

- We support the clarification that all material quantifiable risks should be captured under Pillar 1 and non-quantifiable risks under Pillar 2, and propose refining the wording of Paragraph 3.10 to reflect this.
- We welcome the intent to ensure consistency and proportionality in DVA modelling but suggest that greater clarity is needed, particularly concerning interrelations with other internal model components and the integration of the new Credit Spread Sensitivity Ratio (CSSR).
- Further clarification would be helpful on how modelling should evolve when using undertaking-specific adjustments, and whether requirements apply to both holistic and direct DVA approaches.

Detailed comments:

We support the principle stated in paragraph 3.10 that all quantifiable risks should be addressed within Pillar 1 and all non-quantifiable risks within Pillar 2 when applying a Dynamic Volatility Adjustment (DVA) in internal models. To promote consistent interpretation and application across jurisdictions, it might be helpful to explicitly clarify that this applies only to "material risks", as immaterial risks could otherwise lead to undue model complexity and burdensome calibration requirements.

We therefore suggest the following revised wording for paragraph 3.10:

"All material, quantifiable risks related to the application of the volatility adjustment should be modelled in Pillar 1, and all non-quantifiable risks should be addressed in Pillar 2."

This would help align the Opinion with the principle of proportionality enshrined in Article 120 of the Solvency II Directive and mitigate excessive complexity in internal models.

We understand that the introduction of the CSSR, which ranges between 0 and 1, aims to improve the alignment of the volatility adjustment with asset and liability matching. Under this revised framework, the VA is reduced when an undertaking's assets are less sensitive to credit spread movements than its liabilities are to interest rate changes. This change will require internal model users to review and possibly adapt their assumptions and methodologies. It would be beneficial for EIOPA to elaborate on how the CSSR should be integrated into internal model frameworks, particularly under the DVA approach.

We also note that the revised Opinion does not provide details on how a DVA approach should interact with the use of undertaking-specific adjustments in the base case. A clarification on this point would help undertakings appropriately align their modelling strategies and ensure regulatory consistency.

Regarding paragraph 3.12, we would welcome further explanation and practical examples to clarify its expectations. For instance, does "interrelations to the approach to interest rates" refer to cross-effects between interest rates and the volatility adjustment, or merely to the use of simulated interest rates in deriving the DVA in real-world scenarios? Clarifying whether this applies equally to both holistic and direct approaches would support consistency in supervisory assessments.

In summary, we support EIOPA's objectives of promoting robust and proportionate modelling practices. These aims could be furthered by providing additional clarifications and illustrative examples, which would aid consistent application and reduce uncertainty for internal model users across Member States.

## 4. Risk Management

\* Q6. Do you have comments on Section 4. Risk Management?

☐ Yes

☒ No

## 5. Public Disclosure

\* Q7. Do you have any comments on Section 5. Public Disclosure?

☐ Yes

☒ No

## 5. Any other comments

\* Q8. Do you have any other comments?

☐ Yes

☒ No

## Contact

[Contact Form](#)